GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2924
ANSWERED ON:07.12.2001
KRUSHI CO -OPERATIVE URBAN BANK
CHADA SURESH REDDY;KAMBALAPADU E. KRISHNAMURTHY;KINJARAPU YERRANNAIDU;M. JAGANNATH;MINATI SEN;RAMJI MANJHI;SULTAN SALAHUDDIN OWAISI;SUNIL KHAN;Y.S. VIVEKANANDA REDDY

Will the Minister of FINANCE be pleased to state:

(a) whether the Krushi Co-operative Urban Bank, Hyderabad had a mismatch of funds,high profile publicity campaign and also a high interest rate offered on deposits;

(b) if so, the reasons therefor;

(c) the action has been taken against the bank authorities for violation of guidelines and norms issued by the RBI; and

(d) the steps taken to safeguard the interests of investors who have deposited theil` hard earned money in this bank? .

Answer

MINISTER OF STATE IN THE MINISTRY OF FiNANCE (SHRT BALASAHEB VTKHE PATIL)

(a) & (b): Reserve Bank of India (RBI) has reported that the Krushi Co-operative UrbanBank Ltd., Hyderabad was facing liquidity problems and hence was not able to repay its depositors. The bank had resorted to wide media advertisements/hoardings, etc. andalso offered higher rates of interest on deposits ranging from 15 days to 3 years which varied from 11% to 16%.

(c) & Cd): In view of the serious irregularities in the working of the bank, the Chairman of the bank was called by the Regional Director of RBI, Hyderabad for a discussion. He was warned that a serious view would be taken if no perceptible improvement is seen in the bank`s operations. The irregularities in operation of the bank were again reviewed and the bank was issued directions under Section 35A of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) to streamline its operations.The bank was also directed to freeze its loan business to the level as on March 31, 2001.However, with a view to securing proper management of the bank, the Registrar of Cooperative Societies (RCS), Andhra Pradesh was issued a requisition to supercede the Board of Directors and appoint an Administrator to manage the affairs of the bank. The bank Board was superceded and an Administrator was appointed onAugust 16, 2001. A criminal complaint was filed against the Board of Directors and Chief Executive Officer of the bank in the Chief Metropolitan Magistrate`s Court, Hyderabad. RBI also issued a requisition to the RC5 to make an order for winding up the bank and to appoint a liquidator to take charge of the bank. The bank has since been taken into liquidation by RC5, Andhra Pradesh. The claims of the depositors will be settled as per Deposit Insurance and Credit Guarantee Corporation Act as andwhen received from the liquidator.